

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY**

**FOR  
CORPORATE GOVERNANCE DIRECTOR NOMINATIONS**

**May 14, 2007**

*This document is effective immediately upon adoption and supersedes all other policies pertaining to the nomination of directors resulting from CalPERS' corporate governance activities.*

**I. PURPOSE**

This Policy sets forth the circumstances under which the California Public Employees' Retirement System (CalPERS) through its corporate governance activities identifies and considers candidates for nomination to the Board of Directors of a corporation in which CalPERS invests.

**II. RESPONSIBILITIES**

- A. The **System's Investment Committee** ("the Investment Committee") is responsible for approving and amending the Policy. The Investment Committee delegates the responsibility for administering the Program portion of the System to the Investment Staff through the Delegation of Authority (Delegation Nos. 89-13 and 06-03 INV).
- B. The **System's Investment Staff's** ("the Staff") duties include, but are not limited to, the following:
  - 1. Developing and recommending the Policy to the Investment Committee.
  - 2. Developing and maintaining procedures manual, subject to periodic reviews and updates, outlining Staff operational procedures used in implementing this Policy.
  - 3. Implementing and adhering to the Policy.

**III. POLICY**

- A. Director Nomination
  - 1. For the purposes of this policy, "director" means a member of the Board of Directors of a corporation in which CalPERS invests. As a fiduciary, a director owes a duty of loyalty to the corporation and its

shareowners and must exercise reasonable care in relation to his or her duties as a director.

2. Through its Corporate Governance activities, CalPERS may seek director candidates for nomination to the Board of Directors of a corporation in which it invests. Director candidate nominations will apply to portfolio companies that meet the following criteria:
  - a. Focus List companies;
  - b. Monitoring List companies; or
  - c. “Engagement companies”: Up to 10 companies per fiscal year that are on neither the Focus List nor the Monitoring List. “Engagement companies” are companies at which the Board of Directors does not effectively oversee shareowner interests by failing to perform in accordance with the Principles of Accountable Corporate Governance or in circumstances where a company has consistently demonstrated long-term economic underperformance.
3. To effectively oversee long-term economic performance, director candidates nominated by CalPERS should meet the following criteria:
  - a. Competence: A director candidate should possess the requisite range of skills, knowledge and experience to enable them to discharge their duties and responsibilities.
  - b. Independence: A director candidate should be able to exercise judgment in the best interests of the corporation free of any external influence that may attempt to be or may appear to be exerted upon them.

#### IV. PROCEDURES

- A. Corporate Governance staff will adhere to the following procedures:

1. Reporting
  - a. Director nominations will be discussed as appropriate with the Investment Committee. Reports to the Investment Committee on this matter will include the names and professional details for each director nominated to the Board of Directors at target portfolio companies. In addition, the Investment Committee will be informed of each director

candidate elected to the Board of Directors at target portfolio companies.

Approved by the Policy Subcommittee: April 13, 2007

Adopted by the Investment Committee: May 14, 2007